

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01
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FM AMEMBASSY BUENOS AIRES
TO SECSTATE WASHDC 8261

UNCLAS BUENOS AIRES 8198

PASS TREASURY, EXIMBANK, COMMERCE

E.O. 11652: N/A
TAGS: EFIN, ELAB, AR
SUBJECT: MARTINEZ DE HOZ REVIEWS ARGENTINA'S ECONOMIC SITUATION

1. AT LUNCHEON GIVEN DECEMBER 15 BY THE ARGENTINE
INSTITUTE OF FINANCIAL EXECUTIVES, MINISTER OF ECONOMY
MARTINEZ DE HOZ REVIEWED ARGENTINA'S ECONOMIC SITUATION
AND PROSPECTS FOR 1977. WHILE MUCH OF THE SPEECH
COVERS OLD GROUND, SOME OF THE FOLLOWING POINTS HE MADE
MAY BE OF INTEREST:

-- IN ADDITION TO GENERAL WAGE INCREASE TO BE AUTHORIZED
IN JANUARY, THE GOA WILL ADOPT A MORE FLEXIBLE WAGE
POLICY IN 1977 PERMITTING LARGER WAGE RAISES IF THERE IS
AN INCREASE IN PRODUCTIVITY.

-- GDP IN 1977 IS EXPECTED TO RISE 4 PERCENT (COMMENT:
FIGURE IS 1 PERCENT LOWER THAN THAT GIVEN IN BA 8078 AND
BA 8130). -- IN 1976, ESTIMATED SURPLUS IN MERCHANDISE
BALANCE OF TRADE WILL BE \$800 MILLION AND IN CURRENT
ACCOUNT \$560 MILLION. RESERVES AT YEAR-END 1976 WILL BE
ABOUT DOUBLE THOSE IN MARCH. (COMMENT: DEPENDING ON
MARCH LEVEL USED AS BASE, YEAR-END FIGURE WOULD BE
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BETWEEN \$1.2-\$1.8 BILLION.)

-- WITH A VIEW TOWARD IMPROVING THE FISCAL SITUATION
IN 1977, GOA WILL SIMPLIFY AND REDUCE NUMBER OF TAXES;
WILL MAKE PROGRESS IN REDUCING THE EXCESS NUMBER
OF PERSONNEL IN GOVERNMENT; AND WILL PROCEED WITH

THE REORGANIZATION OF STATE ENTERPRISES TO MAKE
THEM ADHERE TO THE SAME ACCOUNTING PRINCIPLES
APPLICABLE TO PRIVATE FIRMS.

-- GOA WILL MAINTAIN REALISTIC EXCHANGE RATE, PER-
MITTING AN ADEQUATE LEVEL OF EXPORTS WITHOUT SUB-
SIDIZING IMPORTS. EXCHANGE RATE WILL BE DEVALUED
EVERY FEW DAYS IN LINE WITH INTERNAL RATE OF INFLA-
TION MINUS EXTERNAL RATE OF INFLATION. GOA WILL
ALSO DISCOURAGE INVESTMENT IN FOREIGN CURRENCY BY
KEEPING DEVALUATION RATE BELOW INTEREST RATE YIELDED
BY GOA TREASURY BILLS.

2. EMBASSY WILL POUCH FULL TEXT OF SPEECH TO ARA/
ECA, ATTENTION FERNANDO RONDON.
HILL

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